



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER MONROE COUNTY SHERIFF**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Russell Young, County Judge/Executive
Honorable Jerry Gee, Monroe County Sheriff
Honorable Beverly McClendon, Former Monroe County Sheriff
Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former Sheriff of Monroe County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the former Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the former Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

We were unable to obtain a written representation letter from the former Sheriff as required by generally accepted auditing standards.

In our opinion, except for the effects on excess fees as discussed in the preceding paragraph, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Sheriff for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Russell Young, County Judge/Executive

Honorable Jerry Gee, Monroe County Sheriff

Honorable Beverly McClendon, Former Monroe County Sheriff

Members of the Monroe County Fiscal Court

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The accompanying Schedule Of Excess Of Liabilities Over Assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

Based on the results of our audit, we have presented a schedule of Comments and Recommendations, included herein, which discusses the following areas of noncompliance:

- The Former Sheriff Should Eliminate The \$77,351 Deficit In His Official Fee Account
- The Former Sheriff Should Have Improved Recordkeeping Procedures And Spent Public Funds Only For Necessary Expenses Of His Office
- The Former Sheriff Should Have Accounted For And Reported All Vehicle Inspection Fees
- The Former Sheriff Should Have Issued Receipts For All Money Collected
- The Former Sheriff Should Remit Proper Carry Concealed Deadly Weapon License Fees
- The Former Sheriff Should Have Maintained And Implemented Proper Payroll Records And Procedures
- The Former Sheriff Should Have Maintained Proper Records And Implemented Proper Accounting Procedures
- The Former Sheriff Should Have Maintained Receipts Ledger And Disbursements Ledger
- The Former Sheriff Should Have Prepared And Published An Annual Settlement

In accordance with Government Auditing Standards, we have also issued a report dated April 27, 1999, on our consideration of the former Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
April 27, 1999

MONROE COUNTY
 BEVERLY McCLENDON, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

State Fees For Services:

| | | | |
|------------------------------------|--------|--|--------|
| Finance and Administration Cabinet | \$ 470 | | |
| Cabinet for Human Resources | 228 | | \$ 698 |

Circuit Court Clerk:

| | | | |
|----------------------|--|--|-----|
| Fines/Fees Collected | | | 780 |
|----------------------|--|--|-----|

| | | | |
|--------------|--|--|--------|
| Fiscal Court | | | 15,090 |
|--------------|--|--|--------|

| | | | |
|---------------------------------|--|--|-------|
| County Clerk - Delinquent Taxes | | | 1,082 |
|---------------------------------|--|--|-------|

Fees Collected For Services:

| | | | |
|--|----------|--|--------|
| Auto Inspections | \$ 6,545 | | |
| Accident /Police Reports | 50 | | |
| Carry Concealed Deadly Weapon License Fees | 855 | | |
| Serving Papers | 7,675 | | |
| Miscellaneous | 8 | | 15,133 |

Borrowed Money:

| | | | |
|-----------|--|--|--------|
| Bank Note | | | 27,700 |
|-----------|--|--|--------|

| | | | |
|----------------|--|--|-----------|
| Gross Receipts | | | \$ 60,483 |
|----------------|--|--|-----------|

Disbursements

Operating Disbursements:

| | | | |
|--|--------|--|--|
| Payment to State- | | | |
| Carry Concealed Deadly Weapon License Fees | \$ 575 | | |

Personnel Services-

| | | | |
|--------------------------|--------|--|--|
| Deputies' Gross Salaries | 37,855 | | |
| Auto Inspectors Salaries | 5,374 | | |

Auto Expense-

| | | | |
|--------------------------|-------|--|--|
| Gasoline and Maintenance | 9,387 | | |
|--------------------------|-------|--|--|

Other Charges-

| | | | |
|----------------------------|--------|--|-----|
| Cellular Telephone Expense | \$ 331 | | |
| Postage | 69 | | |
| Supplies | 44 | | |
| Insufficient Fund Charges | 15 | | 459 |

Debt Service:

| | | | |
|-------|--|--------|--|
| Notes | | 27,700 | |
|-------|--|--------|--|

| | | | |
|---------------------------------------|--|--|-----------|
| Total Disbursements (Carried Forward) | | | \$ 81,350 |
|---------------------------------------|--|--|-----------|

MONROE COUNTY
BEVERLY McCLENDON, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

| | | | |
|---------------------------------------|----|-----|----------|
| Total Disbursements (Brought Forward) | | \$ | 81,350 |
| Less: Disallowed Disbursements | | | |
| Cellular Telephone Expense | \$ | 159 | |
| Insufficient Fund Charges | | 15 | |
| Supplies | | 44 | |
| Gasoline and Maintenance | | 25 | 243 |
| | | | <hr/> |
| Total Allowable Disbursements | | \$ | 81,107 |
| | | | <hr/> |
| Net Receipts | | \$ | (20,624) |
| Less: Statutory Maximum | | | 48,726 |
| | | | <hr/> |
| Balance Due at Completion of Audit | | \$ | 0 |
| | | | <hr/> |

MONROE COUNTY
NOTES TO FINANCIAL STATEMENT

Calendar Year 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A Schedule Of Excess of Liabilities Over Assets is included in this report as a supplemental schedule. The schedule indicates the cumulative effect of prior year deficits under the respective fee official.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The former Sheriff met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENT
Calendar Year 1998
(Continued)

Note 3. Drug Fund

The Monroe County Sheriff's office established a drug fund in February 1993 with funds received as the result of a drug investigation. These funds were to be used for drug enforcement and education. The drug fund balance as of December 31, 1997, was \$3,820. During 1998, there were receipts of \$103 and no disbursements. As of December 31, 1998, the drug fund had a balance of \$3,923. On February 18, 1999, the former Sheriff transferred \$3,923, to the succeeding Sheriff, Jerry Gee.

Note 4. Borrowed Money

- A. As of January 5, 1998, the office of the former Sheriff is liable for a secured note payable to Deposit Bank of Monroe County in the amount of \$25,000. Purpose of the note is for the operation of the office of the former Sheriff. The note matures upon demand and the interest rate is 9.75 percent. The office of the former Sheriff is in compliance with the terms of the agreement as of April 27, 1999.
- B. As of April 2, 1998, the office of the former Sheriff is liable for a secured note payable to Deposit Bank of Monroe County in the amount of \$2,700. Purpose of the note is for the operation of the office of the former Sheriff. The note matures upon demand. The office of the former Sheriff is in compliance with the terms of the agreements as of April 27, 1999.

Note 5. HB 568

During the 1998 Kentucky Legislative Session, the Kentucky Legislature passed HB 568. HB 568 allows the Kentucky Revenue Cabinet to issue tax bills for a subsequent year if the sheriff fails to remit amounts charged to him for previous years. The audit report for the Monroe County Sheriff's Settlement – 1996 Taxes as of October 31, 1997, reported a deficit of \$191,348 and unpaid obligations of \$387,234. Therefore, on May 15, 1998, the Kentucky Revenue Cabinet issued the tax bills for 1997 Monroe County taxes. Revenue Cabinet representatives collected the 1997 taxes. The Revenue Cabinet deducted its expenses from the tax commissions and the remaining tax commissions were submitted to the Monroe County Fiscal Court. Therefore, the former Monroe County Sheriff will not receive any tax commissions on 1997 taxes. The tax bills for 1998 Monroe County taxes were issued to the succeeding Sheriff on January 15, 1999. Since the Revenue Cabinet would not have allowed the former Sheriff to collect the 1998 taxes due to his failure to remit amounts charged to him for previous years, the former Monroe County Sheriff will also not receive any tax commissions on 1998 taxes.

Note 6. Litigation

In April 1998, the Monroe County Attorney, on behalf of the Monroe County Fiscal Court and Monroe County Taxing Districts, filed a lawsuit against former Monroe County Sheriff Beverly McClendon and his bonding company, Ohio Farmers Insurance Company. This lawsuit seeks to recover the deficit of \$180,726 in the former Sheriff's tax account. On March 31, 1999, this lawsuit was amended to include the deficit of \$64,973 in the former Sheriff's fee account as of December 31, 1997. This lawsuit is currently pending in Monroe County Circuit Court.

The deficit in the former Sheriff's fee account is \$77,351 as of December 31, 1998.

MONROE COUNTY
 BEVERLY McCLENDON, FORMER SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

As of December 31, 1998

Assets

| | | |
|---------------------|----|-----|
| Cash in Bank | \$ | 128 |
| Deposits in Transit | | 213 |

Receivables:

Amounts Due From Tax Account-

| | | |
|-------------------------------|----|-------|
| Advertising Fees - 1992 Taxes | \$ | 65 |
| Advertising Fees - 1993 Taxes | | 68 |
| Advertising Fees - 1996 Taxes | | 157 |
| Interest - 1992 Taxes | | 1,676 |
| Interest - 1993 Taxes | | 2,186 |
| Interest - 1995 Taxes | | 1,034 |
| Interest - 1996 Taxes | | 1,380 |

Commissions Due-

| | | |
|------------|--|--------|
| 1990 Taxes | | 105 |
| 1993 Taxes | | 11,274 |
| 1994 Taxes | | 60,201 |
| 1995 Taxes | | 42,383 |
| 1996 Taxes | | 19,191 |

| | | |
|---------------------------------------|--|-------|
| Tax Refunds Paid From Fee Account | | 370 |
| Fee Receipts Deposited to Tax Account | | 1,375 |

| | | |
|-------------------|--|---------|
| Total Receivables | | 141,465 |
|-------------------|--|---------|

| | | |
|--------------|----|---------|
| Total Assets | \$ | 141,806 |
|--------------|----|---------|

Liabilities

| | | |
|--------------------|----|-----|
| Outstanding Checks | \$ | 721 |
|--------------------|----|-----|

Unpaid Obligations:

State Treasurer-

Carry Concealed Deadly Weapons License Fees-

| | | |
|--------------------|----|-----|
| Calendar Year 1997 | \$ | 840 |
| Calendar Year 1998 | | 240 |

MONROE COUNTY
 BEVERLY McCLENDON, FORMER SHERIFF
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
 As of December 31, 1998
 (Continued)

Liabilities (Continued)

Unpaid Obligations: (Continued)

Amounts Due to Tax Account-

| | |
|--|---------------|
| Refund for Overpayment of Tax Commissions- 1992 Taxes | \$ 8,202 |
| Bank Service Charges - 1993 Taxes | 86 |
| Bank Service Charges - 1994 Taxes | 103 |
| Bank Service Charges - 1996 Taxes | 18 |
| Interest - 1994 Taxes | 22 |
| 1995 Tax Receipts Deposited to Fee Account | 1,013 |
| 1996 Tax Receipts Deposited to Fee Account | 150,831 |
| Salary Due Sheriff From 1994 Fee Account | 12,456 |
| Salary Due Sheriff From 1995 Fee Account | 7,742 |
| Salary Due Sheriff From 1996 Fee Account | 8,772 |
| Thomas Copass - Net Deputy Salary | 411 |
| Borrowed Money - Deposit Bank Of Monroe County | <u>27,700</u> |

| | |
|--------------------------|-------------------|
| Total Unpaid Obligations | <u>\$ 218,436</u> |
|--------------------------|-------------------|

| | |
|-------------------|-------------------|
| Total Liabilities | <u>\$ 219,157</u> |
|-------------------|-------------------|

| | |
|--|---------------------------|
| Total Fund Deficit as of December 31, 1998 | <u><u>\$ (77,351)</u></u> |
|--|---------------------------|

COMMENTS AND RECOMMENDATIONS

MONROE COUNTY
BEVERLY McCLENDON, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 1998

STATE LAWS AND REGULATIONS:

1) The Former Sheriff Should Eliminate The \$77,351 Deficit In His Official Fee Account

Based on available records, former Sheriff McClendon is responsible for a \$77,351 deficit in his official fee bank account as of December 31, 1998. This deficit results from a \$64,973 deficit carried over from calendar year 1997; \$243 in disallowed expenditures; \$101 in undeposited sheriff's bond premium; \$1,180 in undeposited auto inspection receipts; \$195 in undeposited Carry Concealed Deadly Weapon license fees; \$31,698 in operating expenditures over operating receipts; and reduction of \$21,039 from personal funds deposited by former Sheriff McClendon. We recommend the former Sheriff eliminate this deficit with \$77,351 of personal funds. We further recommend that, once the deficit is eliminated, the remaining \$28,970 salary due the former Sheriff for 1994, 1995, and 1996 be paid subject to appropriate withholdings.

2) The Former Sheriff Should Have Improved Recordkeeping Procedures And Spent Public Funds Only For Necessary Expenses Of His Office

Former Sheriff McClendon failed to maintain or produce proper documentation for all expenditures during the audit period. We recommend that invoices and other supporting documentation be retained for all disbursements and that these documents be stamped, perforated, or otherwise canceled to reflect payments. In Funk vs. Milliken, 317 S.W. 2d 499 (Ky. 1958), the Kentucky Supreme Court reaffirmed that county fee officials' expenditures of public funds are allowable only if reasonable in amount, beneficial to the public, adequately documented, and not a personal expense. Therefore, as discussed in comment one, the following disbursements of public funds by former Sheriff McClendon during calendar year 1998 are disallowed:

| <u>Type of Expense</u> | <u>Amount</u> | <u>Reason Disallowed</u> |
|----------------------------------|---------------|----------------------------|
| Cellular Telephone Expense | \$ 159 | Insufficient Documentation |
| Insufficient Fund Charge | 15 | Not Beneficial To Public |
| Supplies | 44 | Insufficient Documentation |
| Gasoline and Vehicle Maintenance | 25 | Insufficient Documentation |
| | <u>\$ 243</u> | |

3) The Former Sheriff Should Have Accounted For And Reported All Vehicle Inspection Fees

KRS 186A.115(1) requires the county sheriff to designate vehicle inspectors and to collect a fee for vehicle inspections and certifications performed by the designated inspectors. Two individuals outside former Sheriff McClendon's office began performing vehicle inspections after obtaining certification from the Department of Motor Vehicles in the Transportation Cabinet. In August 1997, a third individual started performing vehicle inspections after obtaining certification. Former Sheriff McClendon should have accounted for all vehicle inspection fees by depositing all fees to his official fee account and by recording all fees on his receipts ledger. The former Sheriff should also have reported all vehicle inspection fees to the Department for Local Government on his quarterly financial reports.

MONROE COUNTY
BEVERLY McCLENDON, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 1998
(Continued)

STATE LAWS AND REGULATIONS (Continued)

4) The Former Sheriff Should Have Issued Receipts For All Money Collected

KRS 64.840 requires officials to issue a receipt for all fees for which the state does not apply a standard form. Of the three individuals who performed vehicle inspections after March 16, 1995, two properly deposited the money collected and receipted the vehicle inspections performed. The other individual did not deposit any money, which would indicate no automobiles were inspected. No receipts were issued. However, an examination of 1998 applications for title and registrations on file in the County Clerk's office reveals this individual actually inspected 236 vehicles and should have collected a minimum of \$1,180. In addition, former Sheriff McClendon did not issue receipts and deposit all carry concealed deadly weapon (CCDW) license fees. Former Sheriff McClendon deposited \$660, which would indicate 11 CCDW license applications. Receipts were issued for 11 license applications. However, examination of CCDW license applications reported to the Kentucky State Police reveals former Sheriff McClendon filed 15 CCDW license applications and should have collected a minimum of \$855 in CCDW license fees. Therefore, \$195 of CCDW license fees is undeposited. Former Sheriff McClendon should have accounted for and deposited all vehicle inspection funds and CCDW license fees, and should have issued prenumbered receipts for all such license fees and inspections performed by his office.

5) The Former Sheriff Should Remit Proper Carry Concealed Deadly Weapon License Fees

KRS 237.110(5) requires the Sheriff to collect a \$60 fee for each (CCDW) license application. Former Sheriff McClendon is required to submit \$40 of the \$60 collected to the Kentucky State Treasurer for the Department of State Police (\$20) and Administrative Office of the Courts (\$20). As of December 31, 1998, former Sheriff McClendon owes the Kentucky State Treasurer \$1,080 in CCDW license fees, \$840 for calendar year 1997 and \$240 for calendar year 1998. We recommend former Sheriff McClendon submit proper payments to the Kentucky State Treasurer.

6) The Former Sheriff Should Have Maintained And Implemented Proper Payroll Records And Procedures

During our examination period, former Sheriff McClendon received \$74 that was not included on his individual earnings records or W-2 form and no withholdings were deducted from these payments. In addition, deputies received \$738 in payments not included on individual earnings records or W-2 forms and for which no withholdings were made. Any and all payments to the former Sheriff and deputies should have been considered salaries and subjected to appropriate tax withholdings unless being reimbursed for documented expenses. Further, the former Sheriff failed to pay one deputy for two pay periods. For these two pay periods, gross wages of \$628, with withholdings of \$217, were reported on the deputy's individual earnings record and W-2 form. However, the former Sheriff did not pay the deputy the net wages of \$411. We recommend the former Sheriff pay this deputy \$411. Former Sheriff McClendon should have implemented proper payroll procedures and maintained proper records for all salaries and wages paid to his employees. We are referring this matter to the Kentucky Revenue Cabinet.

MONROE COUNTY
BEVERLY McCLENDON, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 1998
(Continued)

STATE LAWS AND REGULATIONS (Continued)

7) The Former Sheriff Should Have Maintained Proper Records and Implemented Proper Accounting Procedures

Under the authority of KRS 68.210, the State Local Finance Officer established uniform accounting procedures for Sheriff's offices. However, former Sheriff McClendon did not follow these procedures or maintain proper records as evidenced by the following deficiencies:

- a) Receipts and disbursements ledgers were not maintained.
- b) Some receipts were not deposited.
- c) Some disbursements were not substantiated by adequate documentation.
- d) Accurate payroll records were not maintained.
- e) Financial statements for 1998 were not prepared and presented to the fiscal court or published in the local newspaper.
- f) Quarterly financial reports were not prepared.

Former Sheriff McClendon should have implemented proper accounting procedures and maintained appropriate records.

8) The Former Sheriff Should Have Maintained Receipts Ledger And Disbursements Ledger

KRS 134.160 requires the Sheriff to keep an accurate account of all moneys received by him and to keep an accurate record of all disbursements made by him. Former Sheriff McClendon did not maintain a receipts ledger or a disbursements ledger. We recommend a receipts ledger and a disbursements ledger be maintained as required.

9) The Former Sheriff Should Have Prepared and Published An Annual Settlement

Former Sheriff McClendon did not publish an annual settlement in accordance with KRS 424.220, which requires that financial statements be published within 60 days after the end of the calendar year. In addition, KRS 134.310(6) requires the Sheriff to file an annual settlement with the fiscal court when he files his yearly tax settlement, with July 31 being the latest date to file. We recommend compliance with these statutes by preparing, publishing, and filing an annual settlement within the proper time periods.

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

1) Lack Of Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgement established by management. We also recognize this judgement is affected by certain circumstances beyond the elected official's control, such as functions prescribed by statutes and regulations and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness.

MONROE COUNTY
BEVERLY McCLENDON, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 1998
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:
(Continued)

2) Other Reportable Conditions And Material Weaknesses

Comment numbers one, five, six, seven, eight, and nine, as listed above in section for state laws and regulations, are hereby noted as reportable conditions pursuant to professional auditing standards. We believe these reportable conditions are material weaknesses.

PRIOR YEAR:

- 1) The former Sheriff should not have a deficit in his official bank account.
- 2) The former Sheriff should have expended public finds only for necessary expenses of the former Sheriff's office and maintained proper documentation.
- 3) The former Sheriff should have performed auto inspections.
- 4) The former Sheriff should have issued prenumbered receipts for all money collected.
- 5) Proper payroll records and procedures should have been maintained and implemented by the former Sheriff's office.
- 6) The former Sheriff should have implemented proper accounting procedures and maintained proper accounting records.
- 7) The former Sheriff should not have commingled public and private funds.
- 8) The former Sheriff should have prepared and published an annual settlement.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Edward B. Hatchett, Jr.



Auditor of Public Accounts

Honorable Russell Young, County Judge/Executive
Honorable Jerry Gee, Monroe County Sheriff
Honorable Beverly McClendon, Former Monroe County Sheriff
Members of the Monroe County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the former Monroe County Sheriff as of December 31, 1998, and have issued our report thereon dated April 27, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Monroe County Sheriff's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of Comments and Recommendations.

- The Former Sheriff Should Eliminate The \$77,351 Deficit In His Official Fee Account
- The Former Sheriff Should Have Improved Recordkeeping Procedures And Spent Public Funds Only For Necessary Expenses Of His Office
- The Former Sheriff Should Have Issued Receipts For All Money Collected
- The Former Sheriff Should Remit Proper Carry Concealed Deadly Weapon License Fees
- The Former Sheriff Should Have Maintained And Implemented Proper Payroll Records And Procedures
- The Former Sheriff Should Have Maintained Proper Records And Implemented Proper Accounting Procedures
- The Former Sheriff Should Have Maintained Receipts Ledger And Disbursements Ledger
- The Former Sheriff Should Have Prepared And Published An Annual Settlement

Honorable Russell Young, County Judge/Executive
Honorable Jerry Gee, Monroe County Sheriff
Honorable Beverly McClendon, Former Monroe County Sheriff
Members of the Monroe County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Monroe County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of Comments and Recommendations.

- Lack Of Adequate Segregation Of Duties
- The Former Sheriff Should Have Issued Receipts For All Money Collected
- The Former Sheriff Should Eliminate The \$77,351 Deficit In His Official Fee Account
- The Former Sheriff Should Remit Proper Carry Concealed Deadly Weapon License Fees
- The Former Sheriff Should Have Maintained Proper Payroll Records And Procedures
- The Former Sheriff Should Have Maintained Proper Records And Implemented Proper Accounting Procedures
- The Former Sheriff Should Have Maintained A Receipts Ledger And A Disbursements Ledger

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- Lack Of Adequate Segregation Of Duties
- The Former Sheriff Should Have Issued Receipts For All Money Collected
- The Former Sheriff Should Eliminate The \$77,351 Deficit In His Official Fee Account
- The Former Sheriff Should Remit Proper Carry Concealed Deadly Weapon License Fees
- The Former Sheriff Should Have Maintained Proper Payroll Records And Procedures
- The Former Sheriff Should Have Maintained Proper Records And Implemented Proper Accounting Procedures
- The Former Sheriff Should Have Maintained A Receipts Ledger And A Disbursements Ledger

Honorable Russell Young, County Judge/Executive
Honorable Jerry Gee, Monroe County Sheriff
Honorable Beverly McClendon, Former Monroe County Sheriff
Members of the Monroe County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 27, 1999

